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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR OF THE SECURITIES EXCHANGE ACT OF 1937

For the transition period from to

For the Quarterly Period Ended:

March 31, 1992

Commission file number:

0-3282

RADIATION SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Nevada *(State of incorporation)*	**54-0680183** *(I.R.S. employer identification no.)*
1501 Moran Road Sterling, Virginia *(Address of principal executive offices)*	**22170** *(Zip Code)*

Registrant's telephone number, including area code (703) 450-5680

Indicate by check ✓ whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days: Yes _X_ No ___.

8,350,937 shares of Common Stock were outstanding as of March 31, 1992.

PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheet

(In thousands, except share amounts)	March 31, 1992 (Unaudited)	June 30, 1991 Note
Assets		
Current assets		
Cash and equivalents	$ 6,853	$ 12,204
Short-term investments, including funds reserved for bond retirement of $1,422 at March 31, 1992, and $777 at June 30, 1991	4,141	3,179
Accounts receivable	18,245	20,693
Unbilled costs and accrued profits, less customer progress payments of $43,605 at March 31, 1992, and $30,494 at June 30, 1991	34,215	26,878
Inventories:		
Work-in-progress and finished goods	7,874	6,731
Raw materials	6,807	5,666
Other current assets	624	693
	78,759	76,044
Goodwill and other assets	6,117	2,399
Property, plant and equipment, at cost	39,309	33,687
Less accumulated depreciation	(15,066)	(12,657)
	24,243	21,030
TOTAL ASSETS	$ 109,119	$ 99,473

Condensed Consolidated Balance Sheet (cont.)

(In thousands, except share amounts)	March 31, 1992 (Unaudited)	June 30, 1991 Note
Liabilities and Stockholders' Equity		
Current liabilities		
Note payable to bank	$ 3,000	$
Current portion of long-term debt	1,499	1,744
Current portion of guaranteed ESOP debt	720	698
Accounts payable	9,346	11,406
Income taxes payable	204	753
Deferred income taxes	2,853	2,853
Other current liabilities	6,418	5,478
	24,040	22,932
Long-term debt, less current portion	3,923	2,808
Other non-current liabilities	1,582	2,165
Deferred income taxes	1,597	1,597
Guaranteed ESOP debt, less current portion	3,161	3,701
	34,303	33,203
Stockholders' Equity		
Common stock - $1 par value; 25,000,000 shares authorized; 8,742,369 shares issued at March 31, 1992, and 5,790,369 at June 30, 1991	8,742	5,790
Other paid-in capital	20,951	23,551
Retained earnings	50,870	43,522
Foreign currency translation adjustment	328	
Treasury stock, 391,432 shares at cost	(2,194)	(2,194)
Debt guarantee for ESOP	(3,881)	(4,399)
	74,816	66,270
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 109,119	$ 99,473

Note: The consolidated balance sheet at June 30, 1991, has been taken from the audited consolidated financial statements at that date, and condensed.

Consolidated Statements of Earnings (Unaudited)

	Three Months Ended March 31		Nine Months Ended March 31	
	1992	1991	1992	1991
Revenues				
Sales	$ 31,799	$ 26,716	$ 96,980	$ 79,591
Investment income	100	119	343	263
	31,899	26,835	97,323	79,854
Costs and expenses				
Costs of sales, including general and administrative expenses	27,688	23,448	84,876	70,011
Interest expense	104	92	208	383
	27,792	23,540	85,084	70,394
Earnings before income taxes	4,107	3,295	12,239	9,460
Provision for income taxes	1,518	1,238	4,613	3,587
Net earnings	$ 2,589	$ 2,057	$ 7,626	$ 5,873
Earnings per share *	$ .31	$ .25	$ .91	$ .71

* Adjusted for 3-for-2 stock split effective November 22, 1991.

Condensed Consolidated Statements of Cash Flow (Unaudited)

(In thousands)	Nine Months Ended March 31	
	1992	1991
Cash Flows from Operating Activities	$ 3,072	$ 15,660
Cash Flows from Investing Activities		
Purchase of CSA and PGT, net of cash acquired	(8,733)	
Capital expenditures	(2,973)	(2,048)
Purchase of short-term investments	(962)	69
	(12,668)	(1,979)
Cash Flows from Financing Activities		
Proceeds from bank note payable	3,000	
Proceeds from industrial revenue bond	2,506	
Debt retirement	(1,636)	(7,136)
Proceeds from stock option exercises	352	308
Dividends paid	(278)	(274)
Purchase of treasury stock		(283)
Sale of treasury stock to ESOP		93
	3,944	(7,292)
Foreign Currency Translation Adjustments	301	
Net (Decrease) Increase in Cash and Equivalents	$ (5,351)	$ 6,389

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Condensed Consolidated Financial Statements

The condensed consolidated balance sheet as of March 31, 1992, the consolidated statements of earnings for the three and nine-month periods ended March 31, 1992 and 1991, and the condensed consolidated statements of cash flows for the nine-month periods then ended have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flow at March 31, 1992, and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's 1991 Annual Report to Stockholders. The results of operations for the periods ended March 31, 1992, are not necessarily indicative of the operating results for the full year.

2. U.K. Acquisition

As previously reported in its 1991 Form 10-K, the Company acquired CSA, Ltd. (CSA), and PG Technology, Ltd. (PGT), from Industrial Partners (Holdings) Limited in the United Kingdom on August 1, 1991, for $9.28 million in cash. The acquisition price increased by $.6 million on December 31, 1991, for a final payment based on earnings of the acquired companies for the nine-month period ended June 30, 1991.

The acquisition is accounted for as a purchase and, accordingly, the results of operations of the acquired companies are included in the Company's consolidated financial statements for the three and nine-month periods ended March 31, 1992. The excess of the purchase cost over the fair value of net assets acquired (goodwill) of £1.6 million (or $2.8 million using the exchange rate at March 31, 1992) is being amortized on a straight-line basis over 20 years.

The Company translates the assets and liabilities of its U.K. subsidiaries at the exchange rate in effect at the end of the reporting period. Revenues and expenses are translated using the average exchange rate for the applicable period. The cumulative effect of foreign currency translations is included as a separate component of stockholders' equity in the consolidated balance sheet.

3. Common Stock

On October 22, 1991, the Board of Directors declared a 3 for 2 stock split to be effected in the form of a 50% stock dividend on the Company's common stock, payable November 22, 1991, to shareholders of record on November 6, 1991. The par value of the common stock remained at $1 per share. The par value of the new shares issued totals $2,914,000 and this amount was transferred from other paid-in capital to the common stock account in the three-month period ended December 31, 1991. All earnings per share data has been restated to reflect the stock split.

The summary below shows the change in outstanding common shares that occurred effective November 22, 1991:

	Before Stock Split	After Stock Split	Change
Common shares issued	5,828,369	8,742,369	2,914,000
Less: Treasury shares	(260,955)	(391,432)	(130,477)
Oustanding common shares	5,567,414	8,350,937	2,783,523

At the Annual Meeting of Stockholders held on November 16, 1991, the stockholders approved a resolution which increased the authorized common stock of the Company from 10 million to 25 million shares.

4. Claims

Before a defense contractor enters into a negotiated contract with the Government, regulations require the contractor to make available its historical costs, if any, and its projected costs of performing the contract. The negotiated contract price is intended by the Government to allow for a reasonable profit. If there are certain deficiencies in the information provided to the Government at the time of negotiation, the Government could be entitled to an appropriate recovery. Competitive procurements are not subject to this provision. As a Government defense contractor, the Company's negotiated contracts are subject to periodic audits and, with respect to two contracts, the Government has requested that the Company remit approximately $632,000 of the $8,945,000 value of the negotiated contracts. The Company does not believe that the Government's requests have merit and has challenged the propriety of the requests.

The Company is involved in various other litigation through the normal course of business which management believes will have no material impact on the consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations

Sales -- Sales for the third quarter and first nine months of the fiscal year ending June 30, 1992, increased by 19% and 22%, respectively, as compared with the comparable periods in the preceding fiscal year. These increases primarily reflect sales under various long-term contracts for weather and air defense radars, design and construction of a 100-meter radiotelescope, sales of mid-sized satellite communications systems, and sales from the newly acquired U.K. companies, which together offset a decline in sales of small aperture antennas.

Earnings Before Income Taxes -- Earnings before income taxes for the third quarter and first nine months of the fiscal year increased by 25% and 29%, respectively, as compared with the comparable periods in the previous fiscal year. These increases are due primarily to the increased sales discussed above and to an improvement in operating profit margins.

Taxes and Net Earnings -- Net earnings as a percent of sales for the third quarter and first nine months of the fiscal year were 8.1% and 7.9%, as compared with 7.7% and 7.4% for the same periods in the preceding fiscal year. The effective tax rate for the third quarter and first nine months of the fiscal year were 37% and 37.7% as compared with 37.6% and 37.9% for the same periods in the preceding fiscal year. The decrease in the effective tax rate for the third quarter is primarily due to the mix of state taxable income.

Earnings Per Share -- Earnings per share for the third quarter and first nine months of the fiscal year increased by $.06 and $.20 over the comparative periods in the preceding fiscal year due to the higher net earnings ($.06 and $.22), offset by the effect of higher average outstanding shares (0.00 and -.02).

Cash Flow, Liquidity, and Capital Resources

The Company continues to maintain a good liquidity position. At March 31, 1992, the Company's cash and short-term investment balances were $11.0 million (including $1.4 million reserved for a bond retirement) and working capital totaled $54.7 million (current ratio of 3.3:1). The Company is not aware of any demands or commitments that are likely to have an adverse effect on the Company's liquidity position, and the Company believes that internally generated funds and other available funding sources are adequate to meet the Company's requirements.

ITEM 5. OTHER INFORMATION

None.

PART II

OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit No. 11: Computation of Earnings Per Common and Common Equivalent Share.

(b) There were no events requiring a report on Form 8-K during the three months ended March 31, 1992

Exhibit No. 11
Computations of Earnings Per Common and
Common Equivalent Share *

	Three Months Ended March 31		Nine Months Ended March 31	
	1992	1991	1992	1991
Average shares outstanding during period	8,351,000	8,219,000	8,343,000	8,231,000
Unexercised stock option equivalent shares computed by the "Treasury Stock Method"	40,000	33,000	25,000	10,000
	8,391,000	8,252,000	8,368,000	8,241,000
Net Earnings	$2,589,000	$2,057,000	$7,626,000	$5,873,000
Earnings per common and common equivalent share	$ .31	$ .25	$ .91	$ .71

* Adjusted for 3-for-2 stock split effective November 22, 1991.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Radiation Systems, Inc.
(Registrant)

Date: May 11, 1992

Richard E. Thomas
Chief Executive Officer
and President

Mark D. Funston
Chief Financial Officer